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HARVARD

RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

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INDUSTRIAL PRODUCTION FIGURES FOR THE FIRST 10 MONTHS OF 1984

Product	Oct. 1984	Jan-Oct. 1984	%Jan-Oct. 83 over Jan-Oct. 1984
Electricity (bil.kw.hrs)	126	1213	105
Petroleum (inc. gas condensate) (mil.tns)	51.5	512	99.6
Natural gas (bil.cu.mtrs)	51.6	483	110
Coal (mil.tons)	59.6	594	99.5
Steel (mil. tons)	13.0	129	102
Fertilizer (mil.tons)	2.4	25.6	104
Metal-cutting tools (mil. rubles)	65.4	610	122
Robots (1000s)	1.0	11.3	131
Computer Technology (bil. rubles)	0.3	3.0	112
Tractors (mil.)	4.8	42.2	103
Paper (mil.tons)	0.5	4.9	104
Cement (mil. tons)	11.0	109	102
Meat (mil.tons)	1.0	8.0	107
Margerine (1000 tons)	0.1	1.1	95
Watches (mils.)	6.0	56.0	97
Radios (mils.)	0.8	7.8	102
Television sets (mils.)	0.8	7.5	105
Automobiles (1000s)	0.1	1.1	102

INDUSTRIAL PRODUCTION FIGURES FOR THE FIRST 10 MONTHS OF 1984

The Soviets continue to have difficulty meeting their petroleum and coal production targets. Petroleum production was down .1 million tons in October 1984 compared to October 1983. That is not as serious a drop as apparently occured in September, August, July or June of this year. Nonetheless, except for May of this year, production has been down in almost every month.

The cumulative total of the drop in production for the first ten months thus is 3 million tons below what it was in the comparable period a year ago. Assuming that the trend does not deteriorate in any drastic way in November or December, production will drop by at least 3 to 4 million tons for the year, and thus be equal to the output produced in 1982.

Coal production is experiencing similar difficulties. While coal production in October 1984 rose .7 million tons above what it was in 1983, output for the year is 3 million tons below what it was last year. Conceivably if output continues to improve that might be reduced by a million or 2 tons, but it is unlikely that coal production will be much higher than it was in 1983.

In other industries however the situation is considerably brighter. The growth in electricity production is up 1% over what it had been the year before for the

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Industrial production...
first 10 months and natural gas production showed a 3% faster growth than last year. Those are the highlights. In other cases, steel production is not growing as fast, nor is fertilizer production, cement and meat production (among others). Undoubtedly however the situation in the petroleum and coal industries is a very serious concern.

SOVIETS ANNOUNCE A HALT IN THE DELIVERY OF PETROLEUM IN DECEMBER TO WEST EUROPEAN CUSTOMERS

The wire services have announced that the Soviet Union has declared that it will be unable to fulfill contract commitments for the month of December. The explanation was that production did not satisfy domestic needs.

The announcement, to say the least, is puzzling. While it is cold in the Soviet Union, there is very little to indicate that the weather is significantly colder than normal. In addition, a look at the production figures and the accompanying analysis indicates that while production is down somewhat from last year, it is not down sharply. In fact it is a very moderate decline of less than 1%. Since the Soviets have been exporting a considerable amount of their production, in past years and previous months of this year, it certainly seems unlikely that they suddenly ran short, unless there was an explosion or some major catastrophe somewhere.

The more likely explanation is that the Soviets have decided to pull back from foreign markets in an effort to strengthen prices. That may reflect an effort to compensate for their actions earlier in the year when they served to weaken prices. However, such an action casts doubt on their reputation as a reliable supplier and in the long run could offset any gain they might make by showing OPEC they can be counted on to support prices. It may also reflect the fact that the Soviets have apparently reduced the level of their grain purchases and therefore may not need hard currency as much as they did earlier.

CORPORATE SPONSOR SEMINAR #3

The next corporate sponsor seminar will be held on February 14th, and it will focus on "Are Soviet Military Expenditures Helpful As Well As Hurtful to the Civilian Economy?" The complete program and an application form is enclosed with this Newsletter.

SQUARE TABLE DISCUSSIONS

The Russian Research Center has inaugurated a new seminar format. We call it "Square Table Discussions" (largely because we have no round tables in our building). Enclosed with this Newsletter is a report of the second such conference that appeared in the Christian Science Monitor. The first seminar considered the firing of Chief of Staff, Marshall Nikolai Ogarkov. Among the many explanations was the fact that Ogarkov seemed to run counter to party policy in that he put more stress on conventional weapons than on missiles and nuclear weapons. There were also some who felt that he was dissatisfied because of the failure to provide enough economic resources and the failure of the Soviet economy to keep up in the field of high technology. Others suggested that Ogarkov might have been a victim of a power play between Romanov and some of the other members of the Politbureau.

Hereafter we will provide short summaries of future Square Table discussions for our readers.

* ENERGY CONFERENCE SUMMARY *

The October 22nd conference on Prospects for Soviet Energy proved a great success, and drew a large audience from the government and business sectors.

The morning panel reported on the

over....

Energy summary....

Resource Potential of the U.S.S.R., and featured Donald Voss of the CIA, James Clarke of the U.S. Geological Survey, and Gordon Hurlbert, President of GCH Management Services. The three speakers addressed the potential of most forms of Soviet energy, including natural gas and nuclear energy. The first afternoon panel focused on Coal Production, with Theodore Shabad, Editor of Soviet Geography, and Zeev Volfson, of the Israeli Environmental Protection Agency (a former Soviet geologist), giving their projections for the future. The last panel session discussed Foreign Energy Relations. Wilfred Czerniejewicz, Vice President of Ruhrgas, Michael Sellars of Shell Oil in London, and Marshall I. Goldman, Professor of Economics at Wellesley College, spoke on Soviet Gas in Western Europe, Energy Trade with U.S.S.R. & East Europe, and Soviet Oil Export Potential, respectively.

Jean Monahan

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TO THE EDITOR:

We are having some problem with the figures you report in your Newsletter on industrial production. In particular, the actual production of robots and computers causes us concern. For example, in the November Newsletter you list production of robots at 10.3. That is significantly understated. Similarly, you list computer technology as 2.7 million rubles worth of production. That similarly is understated. Would you please double check your figures?

Professor Seymour Goodman
Management & Information Systems
University of Arizona

EDITOR'S RESPONSE:

Professor Goodman is absolutely correct. We left out in the robots column the fact that these were in thousand units. Therefore, production of robots from January to September 1984 was 10,300. Similarly, the figures for computer hardware, which also includes spare parts, is in BILLION rubles. This does not by the way include software as far as we can tell. Thus, the output of computer hardware and spare parts totaled 2.7 billion rubles for the nine months of 1984. We apologize for any confusion this might have caused our readers.

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CURRENCY FIGURES

Rubles Purchased Per 100	Nov. 1983	Oct. 1984	Nov. 1984
Austrian shilling	4.12	3.92	4.01
U.K. pound	115.18	104.65	105.65
W. German mark	29.01	27.43	28.19
U.S. dollar	77.45	86.00	83.70
French franc	9.53	8.95	9.18
Japanese yen	.330	.346	.347
Italian lira	.048	.0446	.0454
Swiss franc	35.86	33.46	34.30

According to the currency exchange rates released by Gosplan for November 1984, some improvement is shown for most of the currencies listed above. The Austrian shilling, U.K. pound, W. German mark, French franc, Japanese yen, Italian lira and Swiss franc all increased over the last month. Nonetheless, all of them, with the exception of the Japanese yen, are still lower than they were last year at this time. The U.S. dollar has decreased over the last month.

THE RUSSIAN RESEARCH CENTER takes no official stand on any economic or political trend. The views and analyses expressed in this Newsletter are those of the authors directly associated with the article, or unless otherwise stated, with those of the editor, Marshall I. Goldman.

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ARDEN HOUSE - THE NINTH ANNUAL CONFERENCE

The Arden House conference on East-West Relations will meet in 1985 from March 29th, Friday evening, to March 31st, Sunday noon. The theme of the conference this year will be on AMERICAN-SOVIET RELATIONS: THE NEXT FOUR YEARS.

The program is just about complete and will be sent out in early January. However we can announce now that General Brent Scrowcroft will be the first speaker on Friday night. There will also be sessions on economic reforms, on improving our predictions about Svoiet agriculture, and the prospects for trade. On the political side, there will be a panel discussion about how American policy towards the Soviet Union is formulated and also our traditional Congressional session.

Application forms will be ready in few weeks but you should mark your calendars now.

SOVIET TRADE WITH EASTERN EUROPE

The Soviet trade surplus with its East European allies increased. That is not something the Soviets normally seek. They are not interested in a trade surplus as much as they are in trade balance. Such balance continues to exist with Rumania. The trade surplus with Poland increased somewhat from what it had been in 1983. The only country that sells more to the Soviets than the Soviets export is East Germany. This is the first time that has happened in three years.

(see page 5)

SOVIET BALANCE OF TRADE WITH EASTERN EUROPE FOR THE FIRST HALF OF 1984

(in million rubles)

	Exports from U.S.S.R.			Imports to U.S.S.R.		
	1982	1983	1984	1982	1983	1984
Bulgaria	2372	2880	3174	2259	2573	2823
Czechoslovakia	2460	2855	3346	2491	2766	2996
GDR	3093	3321	3583	2902	3228	3772
Hungary	1991	1961	2266	1793	1886	2042
Poland	2363	2595	2916	1880	2382	2594
Romania	660	849	952	921	891	943
	12940	14461	16237	12246	13726	15170
	+694	+735	+1,067			

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"The overall choreography of news and advertising is as packaged as the Nixon campaign was in 1972," says Kathleen Hall Jamieson, a communications expert at the University of Maryland.

... on [illegible] performance by the President in the first debate. Many Americans were disappointed, she says, but prepared to believe that was an off night for Reagan.

On the hustings, the Reagan campaign demonstrated

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Atwood, executive director of the Democratic Senatorial Campaign Committee.

The two cases symbolize both the progress and the problems for women in politics. In some ways 1984 has

Please see WOMEN next page

EARL W. FOELL

Creating Chernenko the Strong: the Kremlin reshapes an image

Boston

WE complain — with reason — about democratic leaders who read the polls and then reshape their image to fit what their constituents want. It appears that the men in Moscow's Politburo are increasingly following the same technique, even without polls for guidance.

Kremlin leaders seem to be orchestrating a minor deluge of events and images converting Konstantin Chernenko the Weak into Chernenko the Strong. Beyond that, there are signs that they are trying to reverse his initial image as a protector of party cronies, and show him to be carrying on the popular anticorruption campaign of his predecessor, Yuri Andropov.

As Soviet scholar David Powell observed recently, "We had Khrushchevism without Khrushchev after he was deposed. Now we are seeing Andropovism without Andropov."

What does the new picture of a boldly active Chernenko mean?

Most specialists discard the idea that the Soviet President and party leader has dynamically assumed a dominant Brezhnev-type position. But beyond that there are differences.

Columbia University Sovietologist Seweryn Bialer says he believes the youngest Politburo member, Mikhail Gorbachev, has made an alliance with Chernenko. Bialer's thesis is that Gorbachev and his followers, who have a hold on the party Secretariat, are helping to create a "strong" Chernenko in return for his support for continued Andropov housecleaning. They are allowing Chernenko a short period of fame in return for a chance to shake up management of the country.

But Marshall Goldman, a Harvard expert on the Soviet economy, notes that other Kremlinologists are less sure that Gorbachev and his associates are pulling the strings. He mentions recent signs that Gorbachev's power as heir apparent may be momentarily shaky.

What seems unassailable is the fact that Mr. Chernenko's image has been dramatically reversed in the past six weeks. And the new image fits popular desires in the USSR for a strong leader and for one who metes out discipline to the most visibly corrupt.

The enlargement of the General Secretary's persona was the subject of a recent Square Table Discussion at Harvard's Russian Research Center. The lunch sessions gather Soviet scholars from different disciplines, émigrés, and visiting experts to discuss current developments in the USSR.

Boris Rumer, a fellow at the RRC and formerly an economist in Moscow, laid out dramatic evidence of Chernenko-reshaping. Most of Rumer's evidence comes directly from Pravda, the Communist Party newspaper.

Rumer's chronology: On Sept. 5, a Pravda editorial pledges not to divert budget from the civilian economy — consumers — to defense spending. On Sept. 6, President Chernenko reappears to the world after an absence of 53 days, greeting cosmonauts. On Sept. 7, Pravda reports Marshal Ogarkov, the chief of staff who wanted to arm Soviet troops with more high-tech conventional weapons, is sent to a lesser job. On Sept. 9, Pravda unveils a campaign against mismanagement in the Moscow District Party Committee.

Then, between Sept. 19 and Oct. 12, Chernenko's picture appears in Pravda 10 times, an unusually high frequency. He is also intensively quoted. Published Politburo minutes cite him frequently. By contrast, Politburo veteran Andrei Gromyko, who has been busy meeting world leaders at the UN and President Reagan in Washington, is pictured only three or four times.

On Sept. 28, Chernenko is named a Hero of Socialist Labor. The award is unusual, since it usually comes to Soviet leaders on a birth anniversary divisible by five — such as 70 or 75. Chernenko is 73.

Meanwhile, the anticorruption campaign started by Andropov has returned to the pages of Pravda with vigor. On Oct. 6, there is a report of a lengthy speech by Chernenko to the People's Control Committee. He emphasizes the campaign to root out managerial corruption. On Oct. 8, Pravda uses a scolding tone in reporting the dismissal of a deputy to the Minister of Electrification for corrupt behavior. Next, it publishes a major article about officials in the big industrial city of Kursk. Pravda cites several cases of scandal and corruption. In one, the regional party secretary and the chief of a liqueur plant are implicated in a drinking scandal. In another, a deputy police chief is involved in an attempted rape in which a woman falls or is thrown from a third-floor window. On Oct. 20, the paper prints an accusation aimed at a high-ranking official in the chemical industry. Another article details official corruption in Odessa.

What is unusual and unmistakable is Pravda's insistence on publicizing these examples of party and managerial misdeeds. Mr. Rumer notes that one can draw two opposite conclusions from the seemingly ubiquitous Chernenko and his muckraking party newspaper: (1) that he has indeed become more powerful than before his disappearance last summer; (2) that his buildup is a smokescreen for the manipulation of power by others.

Rumer votes for the second explanation. He notes, in particular, an Oct. 7 Pravda review of a book of Andropov's speeches. Its overall impact is to glorify the late Soviet leader. "Andropov's followers," argues Rumer, "are more and more powerful."

Earl W. Foell is editor in chief of The Christian Science Monitor.